EMEA LENDING TRENDS

AUTUMN 2017

CUSHMAN & WAKEFIELD

CELEBRATING 100 YEARS

LOAN BOOK

24%

OF LENDERS SAW ORIGINATIONS

RISE

A net balance of 24% saw originations rise over the last six months. A higher, net 34%, expect originations to grow over the next six months.

Moving forward the number expecting refinancing to rise is down on the last six months (a net 32% versus 45%). A net 62% expect their loan books to grow in the next six months.

GROWTH

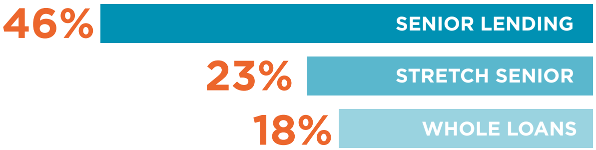
IN LOAN BOOKS

MARGINALLY STRONGER

62%

EXPECT GROWTH

IN THE NEXT 6 MONTHS



Senior lending predominates (46% of respondents) followed by stretch senior (23%) and whole loans (18%). This is in line with our spring survey.

TIER 1 **FOCUS:**

PRIME/NON-PRIME

STANDING INVESTMENTS

In leading Tier 1 markets the focus of activity is on prime (35%) and non-prime (31%) standing investments. 21% are active on pre-let development and 13% on speculative development. There appears to be a marginal shift towards development finance compared to our Spring survey.

In Tier 2/3 markets prime standing investments is the main focus (45%) with a further 31% on non-prime standing investment. 24% will consider development with most of these (18% on pre-let). Some lenders will now consider finance on speculative development.

TIER 2/3 **FOCUS:**

PRIME

STANDING INVESTMENTS

LOAN TERMS

AVERAGE **LTV**

60-65%

NO SIGNIFICANT CHANGE

Average All Property LTVs have not changed significantly over the last six months and typically lie between 60-65% in the main cities. Across all markets the average for Europe has risen to 61% from 60%. Notable rises have been reported in London (60 to 63%) and Paris (60% to 65%). LTVs were broadly stable in other cities.

AVERAGE **MARGINS**

242bps

A RISE OF **18bps**

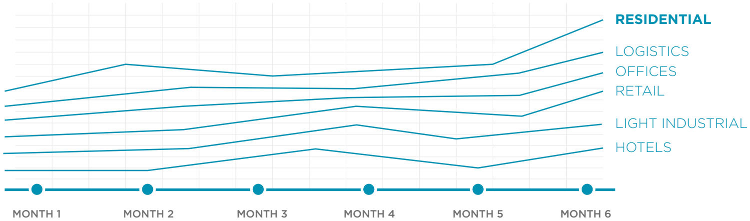
Average margins have risen by 18bps to 242bps. The movement varies by market. Margins fell in Frankfurt (down 31bps to 195bps). London saw a 29bps rise to 249bps, with Paris up 46bps to 242bps, and Milan 67bps higher to 293bps.

SUMMARY TABLE

LTV	London	Paris	Frankfurt	Milan	Madrid	Amsterdam	Brussels	Stockholm	Average
Autumn-17	63%	65%	62%	59%	59%	61%	60%	59%	61%
Spring-17	60%	60%	63%	59%	58%	62%	60%	60%	60%
Autumn-16	59%	59%	59%	53%	55%	59%	57%		57%
Spring-16	63%	64%	64%	57%	59%	62%	59%	62%	61%

Margin	London	Paris	Frankfurt	Milan	Madrid	Amsterdam	Brussels	Stockholm	Average
Autumn-17	249	242	195	293	287	233	214	222	242
Spring-17	220	196	226	226	258	221	214	228	224
Autumn-16	205	187	183	232	244	227	210		212
Spring-16	157	138	139	208	185	152	160	128	158

OUTLOOK



Looking to the next six months, residential (inc student accommodation) is expected to see the most growth – 28% of respondents, followed by logistics at 25%. Offices (18%) and retail (14%) are not far behind. Few expect growth in light industrial (9%) or hotels (7%).

28%

RESIDENTIAL GROWTH*

(*inc.student accomodation)

69%

A majority (69%) expect UK interest rates to rise in 2018. Most (albeit a smaller 56% share) expect the same in the Eurozone, with a further 41% expecting a rise in 2019 or later. This compares to just 15% for the UK. The consensus view is for rate rises to be marginally later in the UK and Eurozone.

EXPECT **UK RATE RISE** IN **2018**

41%

PREDICT MARKET PEAK WITHIN

12 MONTHS

18% of respondents say the market has now peaked, with majority (41%) saying it will peak within twelve months. A further 41% expect it to peak later.

CONTACTS

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The figures reflect the views of the responding lenders and are not the view of Cushman & Wakefield. The data is presented at an all property level, aggregated from office, retail and industrial responses.